

## Message Text

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PAGE 01 BONN 18108 191844Z

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-01 INR-05 IO-10 NEA-06 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-01 SIL-01 SWF-01

OMB-01 EURE-00 SS-15 NSC-05 PA-01 PRS-01 USIA-06 /093 W  
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P R 191833Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6372

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

C O N F I D E N T I A L BONN 18108

E.O. 11652: GDS

TAGS: ECON, EFIN, GW

SUBJECT: MORE ON CHANCELLOR SCHMIDT'S REPORTED DM  
REVALUATION REMARKS

REF: BONN 17878

1. WE HAVE OBTAINED FROM CHANCELLORSCHMIDT'S OFFICE  
A TRANSCRIPT OF THE ANSWERS HE MADE TO QUESTIONS FROM  
THE FOREIGN PRESS IN BONN ON NOVEMBER 13 (SEE REFTEL).  
SINCE THECHANCELLOR HAS NOT REVIEWED THE RECORD  
WE WERE ASKED TO CONSIDER THE TRANSCRIPT PRIVILEGED  
INFORMATION.

2. THE CHANCELLOR'S COMMENTS CAME ON THE DAY BEFORE  
THE DOLLAR BEGAN A RATHER SIGNIFICANT WEAKENING ON  
INTERNATIONAL MONEY MARKETS. ONE FACTOR CITED IN  
THIS EXCHANGE RATE FLUCTUATION HAS BEEN WHAT THE  
CHANCELLOR WAS REPORTED AS SAYING CONCERNING THE  
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PAGE 02 BONN 18108 191844Z

POSSIBLE APPRECIATION OF THE DM.

3. FOR CLARITY'S SAKE, THE QUESTION AND ANSWER CONTAINED IN THE ABOVE-MENTIONED TRANSCRIPT ON THIS SUBJECT ARE QUOTED AS FOLLOWS: CORRESPONDENT'S QUESTION: YOU HAVE MENTIONED THE NECESSITY OF BRINGING THE BALANCE OF PAYMENTS OF (GERMANY'S) TRADING PARTNERS IN EQUILIBRIUM. SHOULDN'T THE GERMAN BALANCE OF PAYMENTS ALSO BE BROUGHT INTO EQUILIBRIUM SINCE (ITS) MASSIVE SURPLUSES ARE A DISTURBING FACTOR? SCHMIDT'S ANSWER: THAT IS RIGHT. THIS IS WHY WE HAVE NO OBJECTION IF THE DM WERE TO APPRECIATE FURTHER AND FACILITATE OUR IMPORTS FROM ABROAD, MAKING OUR IMPORTS CHEAPER. IF THIS MEANS THAT THE FRG SHOULD PERMIT INFLATION IN ORDER TO DEPRESS OUR EXPORTS, THEN THE ANSWER WILL HAVE TO BE THAT WE WOULDN'T DREAM OF IT.

4. IN THE LIGHT OF ATTENTION GIVEN THE CHANCELLOR'S REMARKS, THE FRG PRESS SPOKESMAN ON NOVEMBER 17 STATED BY WAY OF CLARIFICATION THAT THE GOVERNMENT HAD NO MEASURES IN MIND TO CHANGE DM PARITY. HE WENT ON TO SAY THAT THE GOVERNMENT WOULD HAVE NO OBJECTIONS IF THE INTERNATIONAL EXCHANGE MARKET PRODUCED A CERTAIN RISE IN THE VALUE OF THE MARK THROUGH NATURAL MARKET FORCES.

5. FINANCIAL PRESS REPORTS INDICATE THAT ON NOVEMBER 14 THE BUNDESBANK HAD INTERVENED IN THE CURRENCY MARKETS AND PURCHASED OVER 10 MILLION DOLLARS TO SUPPORT THE DOLLAR AND ON THE FOLLOWING DAY PURCHASED ANOTHER 26 MILLION DOLLARS FOR THE SAME PURPOSE. THE CONTINUING UPWARD VALUATION OF THE DM, ACCORDING TO PRESS REPORTS, RESULTED IN BUNDESBANK INTERVENTION IN THE AMOUNT OF \$49.5 MILLION PURCHASES ON NOVEMBER 18 AND \$10.0 MILLION ON NOVEMBER 19. HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN EXCHANGE RATES, BALANCE OF PAYMENTS, SPEECHES  
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**Draft Date:** 19 NOV 1974  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Subject:** MORE ON CHANCELLOR SCHMIDT'S REPORTED DM REVALUATION REMARKS  
**TAGS:** ECON, EFIN, GE, (SCHMIDT, HELMUT)  
**To:** STATE  
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